

Subject:	Brighton Centre Catering Concession		
Date of Meeting:	19th November 2020		
Report of:	Executive Director, Economy, Environment & Culture		
Contact Officer:	Name:	Howard Barden	Tel: 01273 292646
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Ward(s) affected:	All Wards		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 To seek approval from the Tourism, Equalities, Communities & Culture Committee to procure a new catering concession contract for the Brighton Centre. The contract will have an initial term of five years with an option to extend for two further periods of twelve months.
- 1.2 The current contract at the Brighton Centre is with Kudos Ltd and is a Concession Contract. A 12-month extension to this contract was recently agreed and put in place from 1st August 2020 to 31st July 2021 in accordance with Contract Standing Order (CSO) 19 Contract Modification and will allow sufficient time for the procurement to take place.
- 1.3 Under previous contract terms the value of the existing catering contract at the Brighton Centre provides a guaranteed franchise fee to Brighton & Hove City Council against a percentage of the receipts received by the Contractor per annum from the provision of the Catering Service, whichever is the greater. Historically through business growth in terms of the convention and entertainment business the guaranteed franchise fee has always been exceeded for the past 7 years.
- 1.4 In light of the current COVID19 pandemic the terms and conditions of the 12-month extension have been modified until full service is able to resume fully. This has resulted in a variation to the current terms for the duration of the extension whereby rather than a guaranteed income that the supplier previously committed to providing, the council now receives a higher percentage of income from their turnover generated at the venue over the extension period.
- 1.5 This proposed procurement is an opportunity to revisit and test the market to ensure that we are offering clients and customers catering solutions which are fit for purpose in a modern events market and to also ensure that the Local Authority is receiving best value in terms of the commercial arrangements.

2. RECOMMENDATIONS:

2.1 That delegated authority be granted to the Executive Director, Economy Environment & Culture to:

- (i) Procure and award a concession contract for catering at the Brighton Centre with an initial term of 5 years; and
- (ii) Approve an extension(s) to the contract referred to in 2.1 (i) above for a period of up to two years, subject to satisfactory performance by the contractor.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The Brighton Centre is an internationally known venue of considerable scale; it hosts conferences, events, exhibitions, meetings, festivals and concerts with a capacity of up to 5,500. The Brighton Centre opened in 1977 and has become a landmark on the seafront. The striking building has a track record of hosting a wide range of events from corporate functions to large-scale, high profile international exhibitions and conference. The Brighton Centre sells in the region of 250,000 tickets per annum for its Entertainment programme and holds on average 20 major conventions per year contributing to an economic impact to the City of Brighton & Hove on an annual basis circa £850 million per annum and contributing to 21,000 jobs in the local area (Pre-COVID19).

3.2 As part of the financial evaluation, bidders will be required to propose a capital investment fee. The successful bidder will be required to use these funds for improvement of the Brighton Centre's catering infrastructure. Investment into the catering infrastructure is vital to ensure the continued success of the conference and entertainments programme. In addition, relevant and modern catering solutions are a key factor within the sales process of the venue to our conference clients.

3.3 The contract for Brighton Centre catering is currently being let as a service concession contract, whereby the Council does not provide an up-front payment to the contractor but instead grants permission for the contractor to operate on its premises and generate revenue. In return, the Council will receive a guaranteed annual minimum payment to be paid by the contractor or payment of a specified percentage of annual turnover (whichever is greater) as noted in clause 1.4 this arrangement has been adapted to accommodate the impact of the COVID19 pandemic on the catering industry,

3.4 The present catering contract and current contractor has been in place for the past six years. It is necessary for the venue to test the market to ensure that we are offering clients and customers catering solutions which are fit for purpose in a modern events market and to also ensure that the Local Authority is receiving best value in terms of the commercial arrangements.

3.5 This tender will be run in accordance with the Contract Concession Regulations 2016. Suppliers will be invited to bid and will be evaluated against a set of agreed criteria, taking quality and price into consideration.

3.6 Under normal business conditions the current service had been performing well. With year on year growth, the income levels to the venue were exceeding the guaranteed franchise fee and the venue therefore previously received a larger share of revenue via the percentage of receipts taken. After each conference we benchmark all service provision including the catering operation offered to the client through our post event feedback questionnaire. The quality of the current catering service with the incumbent has improved year on year with many of our repeat customers scoring Kudos Ltd in the good to excellent categories for quality, presentation of product, value for money and overall satisfaction of service.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 A specialist catering consultancy was appointed in August 2020 to undertake a review of the catering operation to assess the viability of operating an in-house catering service at the Brighton Centre. It was concluded that due to the levels of investment required and constraints in resources and time, this option was not viable at the current time and that the commercial contract arrangements prior to COVID19 were at the upper end of the catering market in favour of Brighton & Hove City Council.

4.2 Under the current arrangements, a contract is in place which provides the relevant controls and protections for the Council, the terms are competitive, the basis of the contractual responsibilities are sound and that the proportional amount of income achieved by the Brighton Centre from the contract is high.

4.3 If the catering provision were to be taken in-house, then the Council would assume the risk of operation and any potential failures in operations would be the Council's responsibility. Any new contract award would require a guarantee arrangement which ensures the liability for maintaining the service, irrespective of fluctuation in demand sits with the concessionaire and not with the Council.

4.4 Most event venues operate on a concession arrangement for their food and beverage provision. It is only when an organisation operates multiple venues they can operate their catering in-house. The rationale for this is based on the economy of scales derived from delivering the provision across multiple sites. Therefore, the standard model for standalone venues is to offer the concession to an organisation with the existing knowledge, experience and reputation to deliver this service.

4.5 Upon signing of the current contract in 2014 a capital Investment figure was made available by Kudos Ltd as part of the financial agreement to improve the catering infrastructure at the Brighton Centre. The kitchen areas have seen no substantial investment since 2013, conclusions from the consultancy report (August 2020) states that investment to both kitchen areas will be required soon and a similar capital investment figure would be included as part of any future tender process, however if the catering is taken in house, this investment would be essential as this capital investment figure would still be required and council would have to identify capital funds from its own resources to carry out the equivalent works.

4.6 A further consideration is the initial contract term of 5 years. Based on the current timeline for the Waterfront Project and the potential relocation of the Brighton Centre this 5-year term falls well inside the timescales for the project, this term also provides potential bidders with an attractive concession opportunity.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 This is a concession agreement opportunity whereby the Venues section receives an income for the catering provision. Therefore, the need to consult with external bodies is not applicable.

5.2 The procurement of the Brighton Centre Catering Concession report was presented to the Procurement Advisory Board on Monday 21st September 2020 for consideration. The Board reviewed the recommendations set out in the report and agreed that they should be taken to the Tourism, Equalities, Communities and Culture Committee where approval is sought for the recommendations set out in Section 2.

5.3 The Board agreed that given the specific requirements of the catering concession at the Brighton Centre that an outsourced concessionaire contract would be the most appropriate solution.

5.4 Further recommendations from the Procurement Advisory Board indicated that the successful bidder should also be asked to demonstrate a commitment too:

- Require suppliers to take action to reduce waste and promote reuse throughout the supply chain by requesting information on processes during procurements where appropriate.
- Require suppliers to support circular economy principles in their business with considerations to using/making products made from non-virgin, repurposed and local (where possible) materials; products that have minimum waste through smart design and packaging and products that can be easily disassembled and repurposed.
- Require suppliers to reduce the use of single use plastics in their service provision and find sustainable alternatives (where appropriate).
- Require suppliers to demonstrate they are minimising the environmental impacts of their supply chain, choosing more sustainable and high-quality products and/or services.
- Require suppliers to seek sustainable alternatives to materials which are scarce or at risk of becoming so.

6. CONCLUSION

- 6.1 The procurement and award of this concession contract will enable the Council to deliver its priorities, to achieve best value for money and to ensure that a high quality catering is provided as part of the venue's service for the benefit of its customers and clients.
- 6.2 Offering the market, a contract with an initial term of five years aims to attract significant levels of investment into the venue's catering infrastructure.
- 6.3 A five-year term is vital to build confidence and business relationships with clients and similarly essential within the sales process of the venue around securing world class conferences and events to the city.
- 6.4 This new agreement will ensure that any provider awarded the contract, will facilitate a seamless transition to ensure a continuous service is provided to the public.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The proposed procurement is subject to compliance with the council's Contract Standing Orders and Financial Regulations. The detailed financial implications of the recommendations will be dependent on the outcome of the procurement process. As detailed in the report, the council receives a franchise fee from the current contract, and the procurement proposals will be prepared on the same basis. Any variation between contract income and approved budgets will be reported as part of annual budget setting and monthly budget monitoring.
- 7.2 As set out in paragraph 3.2 of this report, bidders are required to put forward a capital investment figure as part of their tender submission for improvement of the Centre's catering facilities. This may result in new external funding being made available towards investment in council assets, which would otherwise need to be funded from council resources. The fact that the bidders are required to provide capital investment could adversely impact on the level of annual contract income receivable to the council. However, the proposed contract term (5 years + 2) provides scope for potential bidders to recoup their investment and for their bids to reflect this.

Finance Contact: Jill Fisher Date: 27/10/2020

Legal Implications:

- 7.2 The Concession Contracts Regulations 2016 (the "CCR") apply to the procurement and award of concession contracts above the relevant financial thresholds for services and works. That threshold is currently £4,551,413. The same general principles that apply to other procurement rules apply to the award of concessions contracts, in particular that all economic operators be treated equally and without discrimination and any contracting authority shall act in a transparent and proportionate manner.

- 7.3 It is a requirement of the CCR that where a concession contract is to exceed five years, its maximum duration shall not exceed the time that a contractor could reasonably be expected to take to recoup the investments made in operating the works or services together with a return on invested capital taking into account the investments (both initially and during the term) required to achieve the specific contractual objectives.

The council's Contract Standing Orders (CSOs) will also apply.

Legal Contact: Barbara Hurwood Date: 5/11/2020

Equalities Implications:

- 7.4 The Councils Code of Practice on equalities and Workforce matters is enforced in all procurements and is incorporated within this concession agreement.
- 7.5 The existing Kudos staff may be eligible for TUPE should another contractor be successful in winning the future contract. Further investigation will be undertaken to fully understand the implications of TUPE for this procurement prior to the tender being carried out.

Sustainability Implications:

- 7.6 The Council has adopted a series of Minimum Buying Standards for purchasing food, The preferred bidder will be expected to demonstrate they support the principles of these standards and will need to be working towards and achieve the Catering Mark standard during the first year of the contract. Use of the Catering Mark logo demonstrates the independent endorsement from the Soil Association that meals are fresh, seasonal and better for animal welfare.
- 7.7 They will be expected to have conformance with the Food for Life Bronze standards when providing the Catering Service. Throughout the life of the contract, the Council and Contractor will work together to ensure further compliance such as Silver and Gold standards.
- 7.8 Food for Life is a Soil Association programme. Goals are about making good food the easy choice for everyone – making healthy, tasty and sustainable meals for all to enjoy, reconnecting people with where their food comes from, teaching them how it's grown and cooked, and championing the importance of well-sourced ingredients.
- 7.9 The contractor will be expected to work towards the removal from their supply chain of the use of single use plastics and must clearly demonstrate their commitment to reducing food waste and packaging from their supply chains as detailed in section 5.4.
- 7.10 The contractor will be expected to provide a wide ranging and attractive offer of vegan and vegetarian dishes from its menu.

Any Other Significant Implications:

Social Value and Community Wealth Building Considerations:

- 7.12 The Social Value Act 2012 defines social value as ‘improvement to economic, social and environmental well-being of the relevant area’. The Concession Contracts Regulations 2016 expressly allows contracting authorities to incorporate social and environmental factors into specifications for a contract, award criteria and contract conditions provided that they are linked to the subject matter of the contract, proportionate to what is being procured, do not result in unequal treatment of bidders, are free from discrimination and comply with the EU principle of transparency.
- 7.13 The successful provider will be required to demonstrate a contribution to social value in its arrangements for the performance of the contract including:
- 7.14 How they source high quality, responsibly sourced, local, seasonal produce.
- 7.15 How they follow fair-trade standards and provide a range of fair-trade products within the venue.
- 7.16 How they will commit to donating leftover food to foodbanks or organisations such as the Junk food Project and ideally commit to donating food waste to Brighton & Hove Energy Services Cooperative to turn this resource into energy in their bio reactors.
- 7.17 Demonstrating the culture of their organisation which will; be an inclusive culture that respects, supports and embraces the communities around us, is accessible for all and champions nutrition, health and wellbeing.
- 7.18 How they use natural resources as efficiently and effectively as possible and continually innovate to find sustainable solutions to help reduce their impact on the environment.
- 7.19 As an organisation demonstrate how they will enrich our surrounding communities through the support and inclusion of local suppliers.
- 7.20 The contractor must demonstrate that they understand the importance of building today’s talent for tomorrow’s future and clearly demonstrate their commitment to employing locally and that they are actively involved in developing or working with apprenticeship schemes and providers where they will provide young people with the opportunity to gain experience and develop a career in the hospitality industry.
- 7.21 The Council is an accredited living wage employer. Bidders will be asked to demonstrate as part of the tender process that they are committed to paying the Living Wage to their employees in accordance with the latest Real Living Wage Rates
- 7.22 The Council does not support the practice of unpaid trial shifts; any bidder will need to demonstrate that this practice is not condoned by them as an organisation within their recruitment process.

7.23 In accordance with our current Sustainable Procurement Policy which states (under the Environmental Impact heading):

We will:

- Require suppliers to take action to reduce waste and promote reuse throughout the supply chain by requesting information on processes during procurements where appropriate.
- Require suppliers to support circular economy principles in their business with considerations to using/making products made from non-virgin, repurposed and local (where possible) materials; products that have minimum waste through smart design and packaging and products that can be easily disassembled and repurposed.
- Require suppliers to reduce the use of single use plastics in their service provision and find sustainable alternatives (where appropriate).
- Require suppliers to demonstrate they are minimising the environmental impacts of their supply chain, choosing more sustainable and high-quality products and/or services.
- Require suppliers to seek sustainable alternatives to materials which are scarce or at risk of becoming so.

SUPPORTING DOCUMENTATION

Appendices:

None

Background Documents

Catering Management Options Appraisal issued by Kendrick Hobbs Consultancy on 6th August 2020